

September 19, 1957

MEMORANDUM

TO: CHAIRMAN, EXECUTIVE COMMITTEE

FROM: Defense Member

SUBJECT: Proposed Revitalization of the Economic Defense Program

Analysis of the Problem

The recent review of Economic Defense Policy by the NSC now provides new guidance to the economic defense community. The Work Program attached to the paper considered by the Council on Foreign Economic Policy (CFEP) during its review of the policy sets forth the basis upon which the program should be "revitalized." It is now required that the economic defense community implement effective controls.

It is firmly believed that the multilateral control system cannot be revitalized on the basis of the existing multilateral concepts and procedures. COCOM and COMECON have established precedents which preclude any country from proposing, and having accepted, ideas which will revise the controls in the direction of greater effectiveness, regardless of how meritorious the case. It seems essential, therefore, to attack the problem at its root, namely, the basic concepts underlying the controls, and the procedures for their implementation. It seems quite useless to attempt, as has the CIA in its recent study, to bolster up the control structure by reviewing items in minuscule, using the highly restrictive and distorted interpretations of existing criteria which now prevail in COCOM.

U.S. policy continues to endorse the need for trade controls. These controls are endorsed because their successful implementation contributes to free world security. The policy calls for continuation of selective controls designed to restrict, through limitations on strategic shipments, the growth of war potential in the Sino-Soviet bloc. In addition, unilateral controls having political and moral purposes have been re-endorsed for Communist China.

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The problem faced by EDAC is to devise a system of effective and supportable controls having the full backing of all the responsible agencies of the U.S. Government, which maximizes the impact of trade controls on the Sino-Soviet bloc's war potential. The problem breaks down into two basic parts. First, there must be an agreed U.S. Government position bolstered and supported by representatives of all responsible agencies, whether or not they believe the objectives of the program are worthwhile and attainable. Second, there must be a fully supported and effectively implemented negotiation with the participating countries, both multilaterally and bilaterally.

U.S. leadership and initiative must be reasserted and effectively sustained if the opposition to controls of any kind, which has been repeatedly announced by certain leading participating governments, is to be overcome. It is believed that a consistent and effective position of the U.S. Government, consistently maintained and supported by officials of every level, will improve rather than deteriorate our relationships with other participating governments. This is not to say that the U.S. must be totally inflexible in its approach to the trade control problem. On the contrary, once a solid basis for a well-rounded and effective program has been established, greater flexibility than at present may be possible to accommodate minor exceptions. The current situation is such that the U.S. cannot maintain an attitude of flexibility without in effect agreeing to elimination of large segments of the remaining program. Little room for flexibility remains. The willingness of the U.S. to participate in the slow erosion of the controls is taken to mean that we agree to the elimination of controls, but must maintain a "facade" for domestic political reasons.

Alternatives

It is believed there are only two alternatives for the U.S. to pursue at this time. The first, and what may appear to be the easiest in the short run, would be to continue the status quo; to attempt through a series of last-ditch, desperate actions on individual item negotiations to slow down the progress of descontrol which has taken a steady course since 1954. This decision is tantamount to destroying the multilateral program over a 12 to 24 month period.

The second alternative is to attempt a basic change in direction through a thorough review of the concepts and principles underlying the controls, and negotiating energetically for a substantial revision which strengthens the controls very materially. The first alternative will show a clear lack of U.S. leadership. The second will demonstrate that the U.S. can exert leadership and is willing to do so when an effective security objective is to be achieved.

Recommended Areas of Action

It is proposed that the economic defense community adopt alternative steps. If this is accepted, the following steps should be taken:

1. Establish substantially revised concepts and criteria for the controls. This revision must of course remain within the basic instruction of directing the multilateral controls toward the Sino-Soviet bloc war potential. It is believed that an objective review of the existing economic and military situation in the Sino-Soviet bloc will show extensive weaknesses and vulnerabilities which are susceptible to exploitation through effectively applied trade controls. Stultifying standards, such as the requirement to demonstrate conclusively the impact of each specific action, should be discarded as unrealistic and unduly restraining on the proponents of effective control.
2. Revitalize the Consultative Group. Call an early meeting to explain and discuss U.S. proposals as indicated in 1. above, and in addition, propose specific and effective measures to eliminate the abuses which CCGW has fallen into, especially the preponderance of commercial considerations which governs the positions of many governments.
3. Maintain and repeatedly assert the security basis for the U.S. position and attitude on trade controls. This posture is considered to be of very great importance, not only as a means of making negotiations effective, but also as a means of convincing participating governments of the complete sincerity and steadiness of purpose of the U.S.
4. Continue to maintain a much higher level of trade control, both with regard to Communist China and the Soviet bloc, than do other countries. The U.S. should not be apologetic for this action, but should maintain its more stringent controls even in the face of strong pressure, if it should develop, by the domestic business community. This should serve to emphasize the determination of the U.S. to retain the trade control program properly in phase with other cold war programs.